

August 4, 1987

REPORT TO THE COMMITTEE ON PUBLIC SERVICES AND SAFETY
ITEM NO. 7 - SECONDARY TREATMENT COST SHARING AMONG METRO SYSTEM
AGENCIES

Both at the City Council level and the Committee level inquiries have been made as to whether existing metro sewage disposal agreements provide for cost sharing of whatever facilities will be required for secondary treatment.

The Metro System member agencies simplistically can be divided into participating and later participating agencies. Of the original nine (9) participating agencies (The Cities of Chula Vista, Coronado, El Cajon, Imperial Beach, La Mesa, National City and Lemon Grove, Rolando and Spring Valley Sanitation Districts), their agreements are identical on the subject of new construction and read as follows:

Section 14. New Construction.

The City may propose additions or improvements to The Metropolitan Sewerage System which were not included in the original design as set forth on said Exhibit A. Any such proposal shall describe the proposed additions or improvements, the estimated cost thereof, and the additional charge (annual or otherwise), or method of computing such additional charge, to be paid by The Participating Agency therefor. If the City and The Participating Agency enter into an agreement pertaining to such proposed additions or improvements and the additional charge (annual or otherwise) to be paid by The Participating Agency for the use of said additions or improvements the City shall proceed to acquire and construct the proposed additions or improvements in accordance with such agreement and The Participating Agency shall pay the City in accordance with the

terms of said agreement. If the Participating Agency does not agree to the construction of the additions and improvements and the additional charge (annual or otherwise) to be

paid by it, the City, nevertheless, may proceed to acquire and construct the proposed additions or improvements and if The Participating Agency uses said additions or improvements, it shall pay for said use an annual rental, which annual rental shall be fifteen per cent (15%) of the cost of that portion of the additions or improvements used by The Participating Agency plus its share of the M & O expenses of the additions or improvements computed as provided in Section 21 hereof, and said annual rental shall be payable at the same times as the annual service charge.

The Later Participating Agencies consisting of Poway, Lakeside, Alpine, Otay, Padre Dam Water District and Wintergardens Sewer Maintenance District have nearly identical language in their Agreements which read as follows:

Section 13. New Construction
and Expansion of Facilities.

San Diego may propose additions or improvements to The Metropolitan Sewerage System which are not included in the system as set forth in said Exhibit A. Any such proposal shall describe the proposed additions or improvements, the estimated cost thereof, and the additional charge (annual or otherwise), or method of computing such additional charge, to be paid by the Later Participating Agency therefor. If San Diego and the Later Participating Agency enter into an agreement pertaining to such proposed additions or improvements and the additional charge (annual or otherwise) to be paid by the Later Participating Agency for the use of said additions or improvements, San Diego shall proceed to acquire and construct the proposed additions or improvements in accordance with the terms of said agreement. If the Later Participating Agency does not agree to the construction of the additions and improvements

and the additional charge (annual or otherwise) to be paid by it, San Diego, nevertheless, may proceed to acquire and

construct the proposed additions or improvements and if the Later Participating Agency uses said additions or improvements, it shall pay for said use an annual rental, which annual rental shall be fifteen percent (15%) of the cost of that portion of the additions or improvements used by the Later Participating Agency plus its share of the M & O expenses of the additions or improvements computed as provided in Section 10 hereof, and said annual rental shall be payable at the same time as the annual service charge.

Hence all contracts of the participating metro agencies do contemplate sharing the cost of new facilities which would include new secondary treatment plant(s). Such sharing would either be in the form of an addendum to the existing agreement or paying an annual rental plus the service charge. Paragraphs 14 and 13, supra.

We must caution, however, the charge to be imposed on Participating or Later Participating Agencies must be "fair and equitable" where grant funds are to be used. This requirement flows from the Clean Water Bond Law of 1970, 1974 and 1984. California Water Code sections 13970, 13985 and 13999 respectively. In determining what is "fair and equitable" consideration is given to the following:

1. The amount of hydraulic flow (both peak and average) from the incoming agency or area.
2. The strength of the waste to be treated (BOD, COD, etc.) from the incoming agency or area.
3. Special characteristics of the waste (is it toxic and liable to cause plant upset or require additional treatment facilities for adequate treatment) from the incoming agency or area.
4. The original costs, interest paid to date, remaining life and grant funded portion of existing facilities.
5. Capacity of grant funded facilities allocated to the incoming agency or area.
6. Costs of treatment and conveyance, including both capital costs and operation and maintenance costs.

Guidelines for Administering "Fair and Equitable" clause contained in Clean Water Grant Contracts, B-2.

In short, the City may require cost sharing for secondary treatment by all member agencies of the Metro Sewerage System but those charges must be "fair and equitable" if state bond money is

utilized.

Respectfully submitted,
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